

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

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TO SECSTATE WASHDC 1510

INFO ALL EC CAPITALS 2310

AMEMBASSY BANGKOK 248

AMEMBASSY DACCA

AMEMBASSY NEW DELHI

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TAGS: ETRD, EEC, IN, BG

SUBJECT: EC AND INDIA INITIALED NEW AGREEMENT ON JUTE PRODUCTS

REF: 75 EC BRUSSELS 3921

1. SUMMARY: THE EC AND INDIA HAVE INITIALED A FOUR YEAR AGREEMENT SETTING VOLUNTARY QUOTAS ON CERTAIN INDIAN JUTE EXPORTS TO THE EC AND CALLING FOR PROGRESSIVE ELIMINATION OF EC TARIFF DUTIES ON INDIAN JUTE IMPORTS. INDIA ALSO AGREES NOT TO DISCRIMINATE AGAINST THE EC IN SUPPLY OF RAW MATERIALS AND SEMI-MANUFACTURED PRODUCTS. THE EC IS CURRENTLY NEGOTIATING A SIMILIAR AGREEMENT WITH BANGLADESH. END SUMMARY.

2. EC COMMISSION OFFICIALS INFORM US THAT THE COMMISSION AND INDIA INITIALED IN BRUSSELS ON JULY 2 A NEW FOUR-YEAR AGREEMENT ON JUTE PRODUCTS, WHICH REPLACES A PREVIOUS AGREEMENT THAT HAD EXPIRED AT THE END OF 1975. THE EC COUNCIL OF MINISTERS NOW HAS TO APPROVE THE AGREEMENT BEFORE IT COMES INTO EFFECT.

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THE COMMISSION KEPT MEMBER STATES INFORMED OF THE PROGRESS

OF THE NEGOTIATIONS AND DOES NOT ANTICIPATE PROBLEMS IN OBTAINING COUNCIL APPROVAL.

3. INDIA HAS VOLUNTARILY AGREED TO RESTRICT ITS EXPORTS OF JUTE FABRICS TO THE EC IN ORDER TO MITIGATE THE IMPACT OF THESE IMPORTS ON MEMBER STATE JUTE INDUSTRIES. INDIA HAS AGREED TO LIMIT IN 1976 EXPORTS OF CARPET UNDERLAY TO 10,000 MT AND DECORATIVE FABRICS TO 1,900 MT. DURING EACH SUBSEQUENT YEAR OF THE AGREEMENT THESE AMOUNTS ARE INCREASED BY ABOUT 7 PERCENT. COMMISSION OFFICIALS SAY THESE VOLUNTARY QUOTAS REPRESENT AN INCREASE OF ABOUT 35 PERCENT OVER THE PREVIOUS AGREEMENT. JUTE YARN EXPORTS ARE NOT RESTRICTED, BUT, UNDER CERTAIN CONDITIONS AND AFTER CONSULTATIONS, THESE EXPORTS COULD ALSO BE RESTRICTED.

4. THE AGREEMENT CALLS FOR PROGRESSIVE REDUCTION OF TARIFFS ON INDIAN JUTE EXPORTS TO THE EC. UNDER THE PREVIOUS AGREEMENT THESE DUTIES HAD BEEN REDUCED BY 50-60 PERCENT. THE NEW AGREEMENT PROVIDES FOR AN 80 PERCENT REDUCTION ON JANUARY 1, 1977 AND COMPLETE SUSPENSION OF DUTIES ON JULY 1, 1978. THESE REDUCTIONS ARE BEING GRANTED ONLY TO INDIA AND SUBSEQUENTLY THE COMMISSION PLANS ALSO TO GRANT THEM TO BANGLADESH AND THAILAND. THESE REDUCTIONS CONSEQUENTLY DO NOT APPLY ON AN MFN BASIS. THIS SCHEDULE WILL BE ACCELERATED FOR JUTE YARN SO THAT DUTIES WILL BE TOTALLY SUSPENDED AT THE BEGINNING OF 1977. DENMARK AND THE UK ALREADY ALLOW DUTY-FREE IMPORTS OF THESE PRODUCTS, WHICH WILL BE CONTINUED.

5. INDIA ALSO AGREES NOT TO DISCRIMINATE AGAINST THE EC IN THE SUPPLY OF RAW MATERIALS AND SEMI-FINISHED JUTE PRODUCTS. THE AGREEMENT ALSO CALLS FOR COOPERATION AND RESEARCH IN ACTIVITIES TO PROMOTE THE PRODUCTION AND USE OF JUTE PRODUCTS. COMMISSION OFFICIALS SAY THEY WILL PROVIDE TO US A FINAL VERSION OF THE AGREEMENT ONCE IT IS AVAILABLE. WE SHALL SEND COPIES OF IT TO STATE/RPE-CASEY AND AMEMBASSY NEW DELHI.

6. THE COMMISSION IS CURRENTLY NEGOTIATING A SIMILAR AGREEMENT WITH BANGLADESH, WHICH WOULD ALSO INCLUDE VOLUNTARY RESTRAINTS ON RAW JUTE EXPORTS. A PREVIOUS AGREEMENT EXPIRED AT THE END OF LAST YEAR, BUT IT HAS BEEN CONTINUED ON A DE FACTO BASIS UNTIL LIMITED OFFICIAL USE

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THE NEW AGREEMENT IS COMPLETED. A NUMBER OF DIFFICULTIES HAVE ARISEN IN THESE NEGOTIATIONS AND COMMISSION OFFICIALS ARE UNABLE TO PREDICT WHEN THE BANGLADESH NEGOTIATIONS MIGHT BE COMPLETED. THE EC ALSO HAS AN INFORMAL AGREEMENT REGARDING JUTE PRODUCTS WITH THAILAND. WE ARE TOLD THAT SIMILAR TARIFF REDUCTIONS WILL LIKELY BE GRANTED INFORMALLY TO THAILAND ONCE THE BANGLADESH AGREEMENT IS COMPLETED.

7. COMMISSION OFFICIALS ADD THAT INDIA ONLY FULFILLED A SMALL
FRACTION OF THE OVERALL EC IMPORT QUOTAS FOR JUTE IN 1975,
BUT MEMBER STATES HAVE SUB-CATEGORIES, THE UK SUB-QUOTAS
HAVE RESTRICTED INDIAN JUTEIMPORTS IN THE PAST.HINTON

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